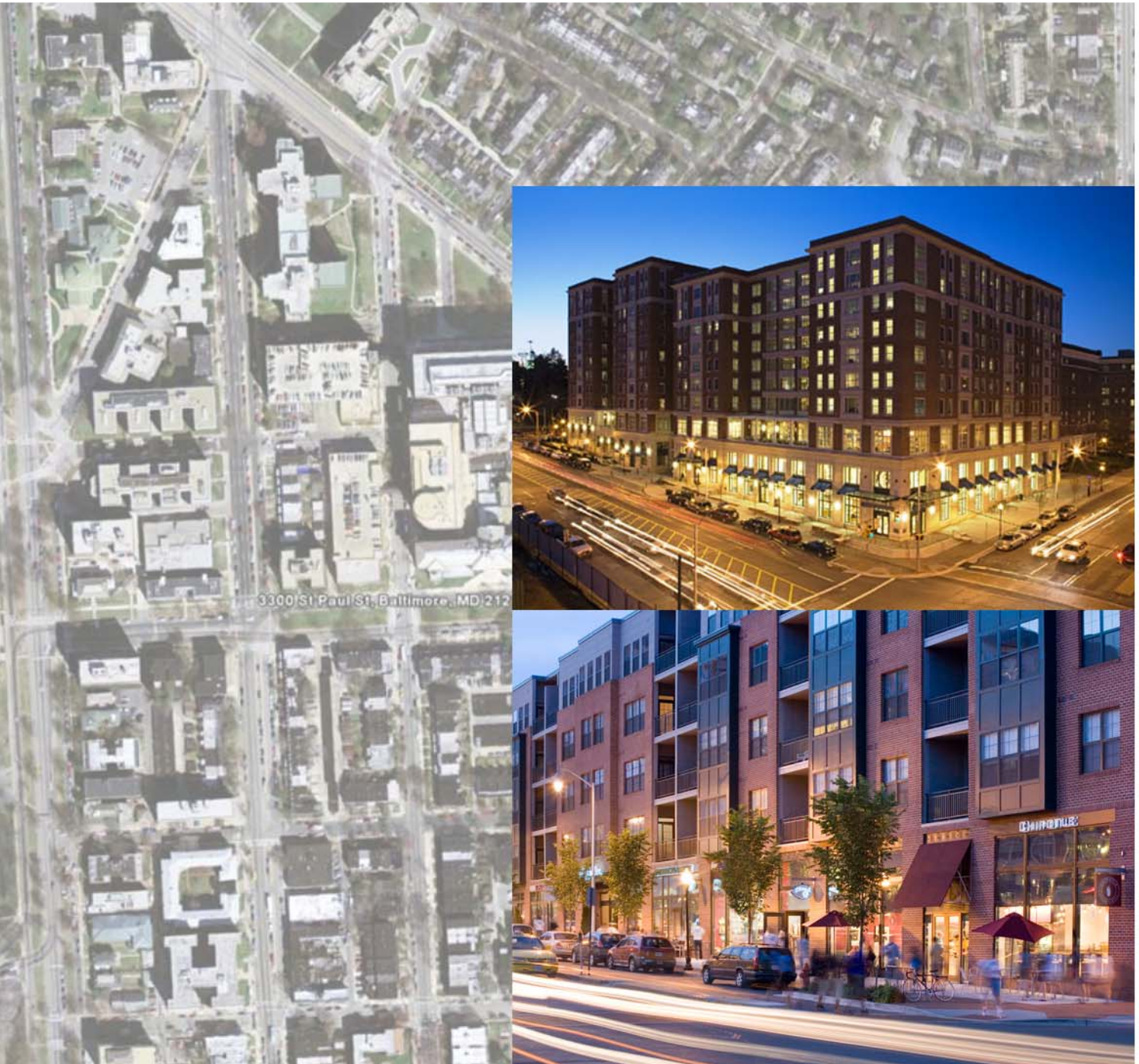


OLMSTED VILLAGE STRATEGIC DEVELOPMENT PLAN



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EXECUTIVE SUMMARY

Olmsted Village is a 14-story mixed-use development located on the corner of St. Paul Street and 33rd Street in Charles Village near Johns Hopkins University's Homewood campus. The project will consist of three components: retail, multi-family residential, and parking. Because of the close proximity to Johns Hopkins University, students make up a large percentage of the residents in Charles Village and are Olmsted Village's target demographic.

Components of Olmsted Village:

- 16,000 square feet of retail on the first floor along 33rd Street and St. Paul Street.
- 219 apartments on 13 floors – Mix of studio, one- and two-bedroom units
- Parking garage – 534 parking spaces on 7 floors; 219 spaces will be reserved for apartment residents. The remaining spaces will be available to the public.

Retail businesses are located along St. Paul Street in the blocks immediately north and south of the project site. These businesses are mainly food establishments, grocery/convenience stores, or service providers that meet the needs of the area residents.

The site has already been consolidated and cleared by the current property owner. The property has been rezoned to allow high density, high-rise, separated mixed-uses. The site sits at the corner of two major cross-town arteries and is regularly serviced by mass transit and the Hopkins Shuttle.

Choice of Entity and Operating Agreement

The entity undertaking this project will be a limited liability corporation called BluJay, LLC. The developer will act as the operating partner and contribute the land as their equity investment into the project. The major equity partner will be Johns Hopkins University who will invest approximately \$16 million in equity into the project. This equity investment will cover the soft costs, developer's fee, and down payment for the permanent financing. In exchange for their equity investment, JHU will receive a majority of the cash flows for the entirety of their participation in the project, a guaranteed IRR and ROE.

Marketing Analysis

According to the marketing analysis, nearly half of the households in this area are renters due to the high number of students seeking off campus housing and as a result, the vacancy rate for rental units in this area is very low, nearly 3%. Of the 11 competitive properties that offer unit mixes similar to Olmsted Village, all are at least thirty years old. Olmsted Village will have the marketing advantage of being the only apartment building in Charles Village to offer brand new apartments that will be designed to meet a LEED-NC Silver rating. The sustainable features in each apartment are expected to reduce energy and water usage resulting in lower utility bills for each resident. Each apartment in Olmsted Village will also include one parking space in the attached garage as a standard amenity.

The community has been vocal in their wish for more parking and retail in Charles Village. The new 7-story parking garage will help ease the current parking strain by accommodating 300 cars with rates that are competitive with others in the city. The retail space on the first floor of Olmsted Village will be capable of housing one large tenant or several smaller businesses. The sidewalks along St. Paul Street and 33rd Street in front of the site will be 15' – 24' wide and landscaped to encourage and accommodate the heavy foot traffic in this area.

Major Strengths

The biggest strengths with Olmsted Village are the low vacancy rate in this area and the steady population of students. The marketing analysis found that student renters in this area are not price

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sensitive and wish to rent in an area that is safe and within walking distance to the university. The location of Olmsted Village is favorable as it is along a direct and visible route to campus. Another strength of Olmsted Village is the appeal of sustainable housing. Students at JHU are highly dedicated to environmental causes and will most likely be drawn to the sustainable features offered at Olmsted Village.

Major Weaknesses

Currently the biggest weakness in this development plan is the inability to secure financing in this tough economy. Having a high credit partner like JHU as a major equity partner will increase the chances of receiving favorable lending terms in this economic climate, but the possibility of needing multiple high-interest rate mezzanine loans is also likely. Mezzanine or mini permanent loans are not unusual financing tools, but those lenders will require an equity share in the development deal as collateral.

The analysis of this strategic development plan will assume that normal means of financing will be available. The construction loan will be one 24-month term interest-only loan and will require that permanent financing first be in place. The permanent financing will cover 75% of the construction costs (75% loan-to-value) and will be split 70% to 30% between a first mortgage and a mini permanent loan. (The remaining 25% will be covered by equity investment from the major equity investor.) The first mortgage will have a fixed interest rate of 6.5% over a 30 term. The mini permanent loan will have a 7.5% interest rate with a 5 year term, interest only. At the end of this 5 year term, the balloon principal will be rolled over into a second mini permanent loan with a 7 year term and 7.5% interest rate.

Major Challenges

Baltimore City has the highest property tax rates in the state. The yearly property tax bill for Olmsted Village is estimated to be around \$1,000,000, which has a significant affect on the project's IRR. Unfortunately Olmsted Village does not qualify for a payment in lieu of taxes (PILOT) because the project's total cash-on-cash (ROE) return exceeds the limit set by the Baltimore Development Corporation.

Returns

Based on the assumptions, cash flows and financial analysis, Olmsted Village is stable investment when viewed as a long-term asset. Immediate, high returns are not expected with this mixed-use development due to its size and scale. Returns are expected to be modest in the first few years as the project reaches stabilization, which is projected to take about 3 years. The guaranteed IRR preference of 18% to the investor will only be achieved when analyzed over a 20-year period. Olmsted Village is not an investment that will garner huge returns immediately. Since Johns Hopkins University is a world-reknown institution with deep roots in the local and state economy, making quick returns is not an immediate concern for each of its investments.

Intangibles

In addition to the investment in the project, the work and capital involved in making Olmsted Village a reality is an investment in the community. Mixed-use developments are successful in helping neighborhoods reinvest in themselves. The retail establishments encourage residents to spend their money in their own neighborhood instead of driving elsewhere for goods and services. Having a variety of amenities within walking distance reduces the need for automobiles and could reduce unnecessary traffic congestion in the area.

Olmsted Village will add value to Johns Hopkins University by providing close and safe housing for their students. Joint venture projects like Olmsted Village allow JHU to increase the housing options for their students without shouldering the entire effort involved with carrying out a project of this magnitude. Helping to increase and maintain the stability in the surround community for the students and area residents is an investment in the university as well.

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The development company undertaking this project will be BluWolfe Development Inc. BluWolfe Development is a fully incorporated entity and privately held. BluWolfe will set up a separate limited liability corporation, BluJay, LLC, to develop the project, known as *Olmsted Village*, to separate the liabilities of this development from the liabilities of BluWolfe Development Inc. and the individual members of the LLC.

A limited liability company is the most favorable entity for the Olmsted Village development project due to its ease in formation and the profit and tax benefits. An LLC will protect each member from being personally liable for the liabilities of the entity and allows all taxes to be passed-through since they are not taxed at the corporate level.

One of the principal members of BluWolfe Development will take on the role of operating partner of BluJay, LLC. BluJay, LLC plans to contribute \$1,000,000 in equity into the project to cover the acquisition of the land for the project. The major equity partner will occupy the other membership role in the LLC and will contribute approximately \$16 million to cover the soft costs, developer's fee, and down payment for the permanent financing. An LLC structure also allows non-members to weigh in on management and operational matters, which is beneficial when and if additional partners are brought into the project at a later time.

Operating Agreement General Provisions:

1. Developer will receive a management fee of 4.5% of total construction costs.
2. Neither party can initiate a buy/sell for the first 48 months post-construction.
3. Cash Flow Distribution – 40% to the Developer, 60% to the Equity Investor.
4. Guaranteed Return on Equity to Investor after reaching stabilization – 10%
5. Guaranteed Internal Rate of Return to Investor – 18%
6. Capital Event Distribution – Preferred 18% IRR to the Equity Investor, then 80% of that remaining amount goes to the Developer, the remaining 20% to the Investor.

Olmsted Village will be a mixed-use development consisting of a 14-story apartment building on a one-story street level retail structure and a separate but connected parking garage. The location of the project will be in the heart of Charles Village near Johns Hopkins University's Homewood campus.

Undergraduate students at JHU are required to live on campus during their freshmen and sophomore years but are not guaranteed university housing for the remaining two years. Because the university does not have enough housing for upperclassmen, most choose to live off campus within walking distance to the Homewood campus. Since the apartments at Olmsted Village will be well-placed for this student population, will be sized and priced to meet current market rental rates, BluJay, LLC proposes to develop this project as a joint venture with Johns Hopkins University. This arrangement is not uncommon for JHU as the university structured a similar deal with Struever Bros, Eccles and Rouse and Capstone Development for the development of Charles Commons.

Unlike Charles Commons, the apartments in Olmsted Village will be considered off-campus housing with JHU undergraduate and graduate students and JHU-affiliated staff receiving priority when leasing apartments.

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The services of the following consultants will be engaged to carry out the development of this project:

- Marketing Consultant for Site Analysis
- Real Estate Attorney
- Civil Engineer
- Traffic Consultant
- Architect
 - Landscape Architect
 - Mechanical, Electrical, and Plumbing Engineer
 - Structural Engineer
- General Contractor for pre-construction services and pricing
- General Contractor for Construction
- Marketing Consultant for Leasing and Promotion

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Figure 1: Assessment of Land for Project

Maryland Department of Assessments and Taxation BALTIMORE CITY Real Property Data Search (2007 vw3.1)		Go Back View Map New Search
Account Identifier: Ward - 12 Section - 19 Block - 3863 Lot - 006		
Owner Information		
Owner Name:	CJUF CHARLES VILLAGE, LLC	Use: APARTMENTS
Mailing Address:	9665 WILSHIRE BLVD, STE 200 BEVERLY HILLS CA 90212-2309	Principal Residence: NO
		Deed Reference: 1) FMC/ 8300/ 96 2)
Location & Structure Information		
Premises Address		Legal Description
3200 SAINT PAUL ST BALTIMORE 21218		81-3X100
Map	Grid	Parcel
12		
Sub District	Subdivision	Section
		19
Block	Lot	Assessment Area
3863	6	2
Plat No:		
Plat Ref:		
Special Tax Areas	Town	Ad Valorem
		CHARLES VILLAGE DISTRICT
Tax Class		
Primary Structure Built	Enclosed Area	Property Land Area
0000		48,874.00 SF
		County Use
		11420
Stories	Basement	Type
		Exterior
Value Information		
	Base Value	Value
		As Of
		01/01/2008
Land	1,221,800	1,221,800
Improvements:	0	0
Total:	1,221,800	1,221,800
Preferential Land:	0	0
		07/01/2008
		07/01/2009
		1,221,800
		1,221,800
		0
		0
Transfer Information		
Seller:	NORTH CHARLES STREET INVESTMEN	Date: 09/07/2006
Type:	UNIMPROVED ARMS-LENGTH	Price: \$1,250,000
		Deed1: FMC/ 8300/ 96
		Deed2:
Seller:	THE BALTIMORE ADELPHIC	Date: 03/16/2005
Type:	NOT ARMS-LENGTH	Price: \$1,930,000
		Deed1: FMC/ 6387/ 360
		Deed2:
Seller:		Date:
Type:		Deed1:
		Price:
		Deed2:
Exemption Information		
Partial Exempt Assessments	Class	07/01/2008
County	000	0
State	000	0
Municipal	000	0
Tax Exempt:	NO	Special Tax Recapture:
Exempt Class:		* NONE *

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Possible Risks and Concern for the Strategic Development Plan

The site's previous owner, Struever Bros. Eccles and Rouse, had plans to develop a mixed-use project very similar to BluWolfe's plans, which consisted of a parking garage, retail, and luxury condominiums. SBER then changed their multi-family component to smaller rental units in a response to changing economic conditions. As of the fall of 2008 SBER had abandoned their plans for the Olmsted site completely. On April 10, 2009, the Baltimore Examiner reported that Johns Hopkins University plans to purchase the Olmsted site for a mixed-use development though no details are known due to a confidentiality agreement.

The greatest red flag facing BluWolfe's current plans is the fact that a previous, experienced developer has abandoned plans to develop the same site with a very similar program. This could be a clear indication that the site cannot sustain this type of development at this time. On the contrary though, working in BluWolfe's favor is the pending acquisition of the site by Johns Hopkins University.

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PROJECT LOCATION

Site

The property is located on the corner of St. Paul Street and 33rd Street in the Charles Village neighborhood of Baltimore City. This location is within two blocks of the Johns Hopkins University Homewood campus and is a part of the “College Town” revitalization begun by Struever Bros. Eccles and Rouse in 2005. Adjacent to The Olmsted Village development are Village Lofts, a four story luxury condominium building and the 10 and 12 story Charles Commons building, which houses the JHU Barnes & Noble, dining hall, laundry facilities and undergraduate on-campus housing.

A variety of businesses and restaurants are located within the blocks immediately adjacent to the Olmsted Village site:

Bank of America
C&C Carryout
Carma's Cafe
Charles Village Pub
Chipotle
Cloud Nine Clothing
Cold Stone Creamery
Donna's of Charles Village

Eddies of Charles Village
Gordon's Florists
Niwana
Sam's Bagels
Starbucks
Subway
Tambors
University Market

The total Olmsted Village site is 1.12 acres. The previous owner consolidated the individual lots and undertook extensive demolition and material removal. The site is currently clear of any existing built structures, seeded with grass and fenced off. The site shape is typical of a city block and is rectangular and is bordered by St. Paul Street on the east, 33rd Street on the north, Lovegrove Alley on the west. The Jefferson House Apartments, a nine story high rise building, is the site's southern border.

The sides of the site fronting St. Paul Street and 33rd Street must maintain a 24'-0" wide setback. There are currently sidewalks on both sides, but these will be repaved as a part of the Olmsted Village landscape architecture design.

The stretch of St. Paul Street in front of the project site has four southbound lanes of traffic, of which two are for parallel street parking. Separated from the southbound lanes by a median are two northbound lanes on the east side of St. Paul Street, of which one is for street parking. 33rd Street consists of four lanes of two-way east/west traffic with parallel street parking. 33rd Street is commonly used for cross-town traffic and ends at an intersection with North Charles Street right at JHU's Mattin Center for the Arts.



Figure 2: View of project site looking south



Figure 3: View of project site looking northwest

Site Pros

Because of the location's proximity to JHU's Homewood campus, there is constantly a heavy population of students and JHU-related staff in the area. Union Memorial Hospital, which is two blocks away, also maintains a steady presence in the area. Since the project site is located along two of the city's major traffic arteries, this neighborhood is regularly served by the City's bus system.

Site Challenges

The density created by the JHU, Union Memorial Hospital, and the surrounding businesses has resulted in a high demand for parking. While conventional coin-operated meters control some of the on-street parallel parking spaces, most are governed by the unmetered on-the-dash parking systems that take coins or credit/debit cards. There are two parking garages north of 33rd Street but both are dedicated to serving Union Memorial Hospital.

Even with the steady car and pedestrian presence in Charles Village, this neighborhood is not crime-free. Petty crime and car break-ins committed mainly by criminals passing through the area have regularly been a nuisance to residents. Unfortunately in 2004 and 2005 murder claimed the lives of two JHU students. While one murder was proven to be committed by an acquaintance of the victim, the other remains unsolved and is believed to be a random act of violence.

Surrounding Residential Neighborhood

The surrounding neighborhoods to the east of the site consist of two and three story rowhouses that have covered porches on the front and alleys on the back. High-rise residential buildings are located along North Charles Street from 29th Street towards University Avenue and along the west side of St. Paul Street north of 33rd Street and south until 31st Street. The buildings along the east side of 3100 and 3200 block of St. Paul Street are low rise structures of two and three stories with retail at the first floor street level.

Zoning

The site was originally zoned as R-8, which allows for 58 dwellings per acre and a floor-to-area ratio of 2. Struever Bros. Eccles, and Rouse, the site's previous owner had taken the site through the Planned Unit Development (PUD) process to increase the site's density and increase the buildable height to a maximum height of 315 feet. BluWolfe Development's purchase of the property from SBER includes all the zoning, civil engineering design and PUD improvements to date.

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Possible Risks and Concerns about the Project Location

The greatest area of concern with the Olmsted Village location is the crime rate of the neighborhood. Since JHU students are the primary target market for Olmsted Village, it will be of utmost concern to assure this population through marketing and design that resident and visitor safety is not at risk.

One primary area that will have extra safety measures will be the parking garage component. Roughly half of the garage will be dedicated to resident parking while the other half will be open to the general public and visitors to the retail spaces in Olmsted Village. This intermingling of users will require proper monitoring of those who are allowed to enter the residential portion of the building. Security cameras, keyed locks and manned entries will be implemented to ensure that potential intruders are discouraged.

MARKET ANALYSIS

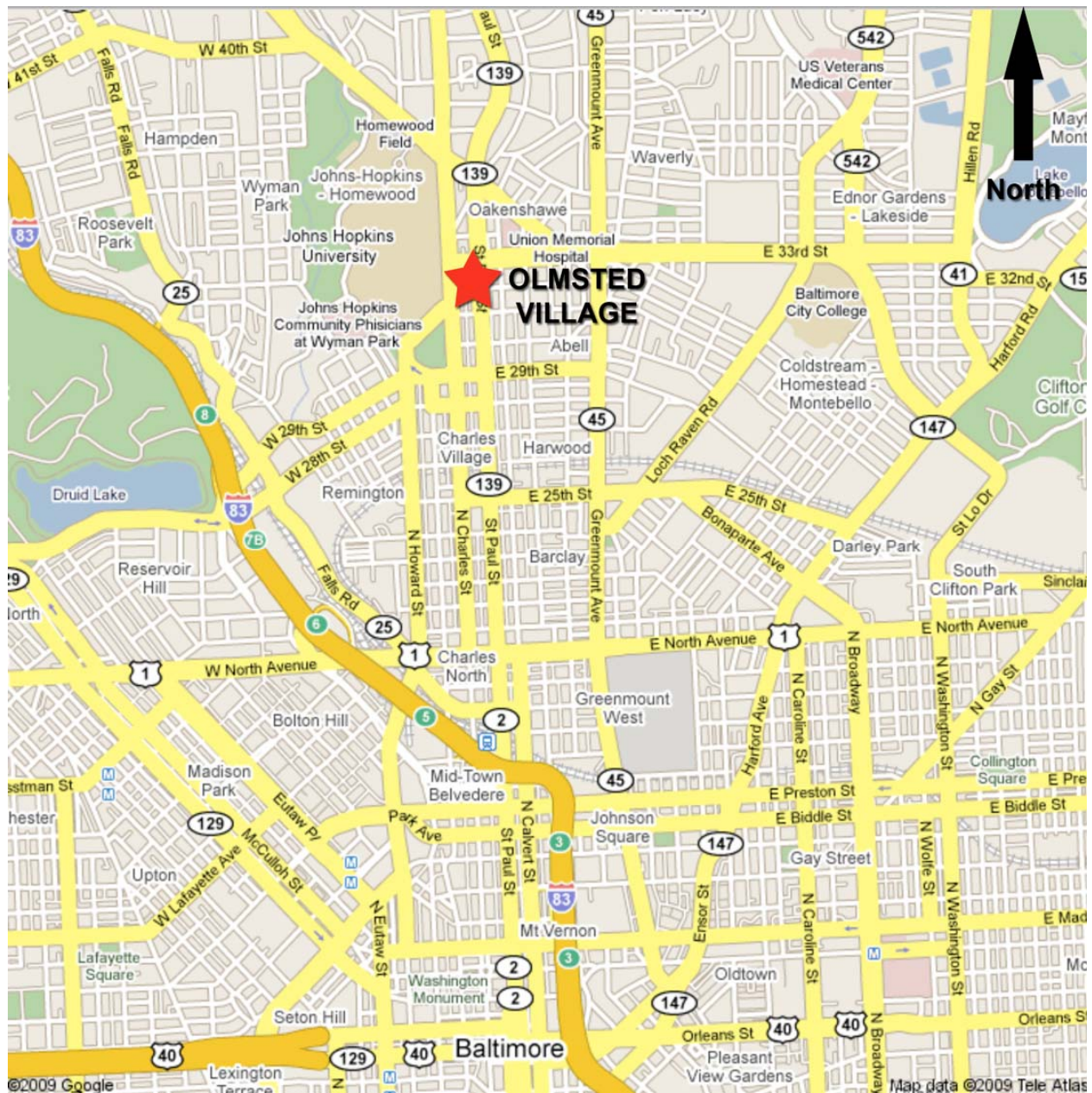
- For the purposes of this project, the Charles Village housing market area is considered to consist of the following neighborhoods:
 - Clipper Mill
 - Hampden
 - Woodberry
 - Remington
 - Portions of Roland Park
 - Portions of Station North
- Demographic and Income Characteristics
 - The Charles Village market area is disproportionately a renter market due to the concentration of student households and young professionals with moderate incomes.
 - Single-person households are predominant in this market area, occupying about 48 percent of the market share.
- Competitive Rental Market
 - Stabilized multi-family communities in this market area are experiencing low vacancies of about 3.3%.
 - Net rents for studio apartments range from \$572 to \$1,102 or an average of \$1.63 per square foot.
 - Net rents for one-bedroom units range from \$1,075 to \$1,838, with an average of \$1,351 for 1,096 square feet or \$1.23 per square foot.
- Proposed Product: Based on these six criteria, Olmsted Village will be well-positioned to compete with other rental communities in the area:
 - Location
 - Within walking distance to John Hopkins University's Homewood campus
 - Served by the Hopkins Shuttle and MTA Bus lines
 - Unit Features
 - The entire development will be designed to meet a LEED-NC Silver rating
 - Each apartment will have a fully functioning kitchen, washer and dryer
 - Unit Size
 - Studio units will be around 675 SF
 - One-bedroom units will have about 750 - 800 SF
 - Two-bedroom units will have about 950 - 1100 SF
 - Unit Mix
 - The unit mix will concentrate mainly on the studio and one-bedroom apartments
 - Community Amenities
 - Each apartment will have one dedicated parking space in the garage
 - All residents will have access to the community party room and gym
 - The entire building will have secured entries and CCTV

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- Price Position
 - The rents will be comparable to the other communities in the market area and adjusted based on unit size, amenities, and project age.
- Transportation and Transit Accessibility
 - The proposed location of Olmsted Village is in an area that is convenient to many of Baltimore's main circulation arteries and is served by mass transit.
 - St. Paul Street is a main southbound artery (for a few blocks around the Olmsted Village site, St. Paul also has northbound lanes) connecting northern Baltimore City to the Inner Harbor.
 - 33rd Street is a commonly used cross-town artery connecting North Charles Street at its western-most end to the old Memorial Stadium site, City College, and terminates at Hillen Road near Morgan State University.
- Neighborhood Services and Amenities
 - Olmsted Village is fortunate to be in an area rich with dining, retail, service, educational and cultural opportunities.
 - Within an immediate 2-block radius there are restaurants, bookstores, coffee shops, food establishments, florists, clothing stores, a small grocery store, and a bank.
 - The Baltimore Museum of Art is located directly south of the JHU Homewood campus and is within walking distance to Olmsted Village.
 - The Rotunda shopping center is a short walk or bus ride away and offers a grocery store, pharmacy, hair salon, movie theater, and comic book store.
 - The Hampden neighborhood is also a short walk or bus ride from the Olmsted Village site. Hampden has undergone a significant urban redevelopment effort over the past five years and is now a major entertainment and shopping destination in Baltimore City. Hampden is home to upscale and affordable clothing boutiques, antique stores, restaurants, home furnishings establishments, and art-based businesses.
 - St. Paul Street connects the Charles Village area to the Station North and Mt. Vernon neighborhoods that offer an additional mix of restaurants, bars, and shops.
- Demographic Characteristics
 - In the Olmsted Village market area, residents between the age of 18 to 34 and 35 to 54 make up about 30% of the population. This high percentage of young adults is a result of the concentration of educational institutions in the area.
 - Non-married households without children, including roommate living arrangements, constitute a 19.7% percent share of the market area.
 - 60% of the households in the market area are renters.
- Income Characteristics
 - The median income of the households in the market area is \$40,529.
 - Approximately one-third of the households in the market area have incomes under \$25,000.
 - Students make up a high portion of the residents in the market area. While they have modest incomes, students tend to also have the resources to pay for off-campus rental housing.

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Figure 4: Map of Market Area



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Possible Risks and Concerns from the Marketing Analysis

So far the risk-markers in this subject area are fairly low. This data confirms that the Charles Village neighborhood can sustain and has a need for the uses proposed by the Olmsted Village development. The very low vacancy rates in the competitive properties illustrates that the consistent student population has high demand for off-campus housing. The high demand for parking proves that a parking garage will be a welcome amenity to existing residents, new residents, and may increase the number of shoppers to this area who were previously discouraged by the lack of parking options.

The success of the current retail establishments from the new Barnes & Noble to the Donna's restaurant on 31st Street indicate that this geographic area can support and appreciates having these neighborhood retail amenities within walking distance.

COMPETITIVE ANALYSIS

- Area Housing Stock Characteristics
 - See Table 1 for Unit Mix at Competitive Properties.
 - Approximately 45% of the rental stock in the market area was built prior to 1940.
 - Approximately 22.8% of the rental stock in the market area was built between 1960 and 1980.
- General Occupancy Rental Market based on 11 comparative apartment buildings to Olmsted Village
 - The competitive properties were chosen based on similarity in unit mix and proximity to Olmsted Village.
 - The Ambassador – 128 Units, 11 Stories
3811 Canterbury Road, Baltimore, MD 21211
 - The Assembly Building – 36 units, 4 Stories
2031 Clipper Park Road, Baltimore, MD 21211
 - Blackstone – 96 Units, 10 Stories
3215 N. Charles Street, Baltimore, MD 21218
 - Broadview – 465 units, 14 stories
105 West 39th Street
Baltimore, MD 21210
 - The Carlyle – 287 Units, 15 stories
500 West University Parkway
Baltimore, MD 21210
 - Charles Apartments – 90 units, 10 stories
3333 N. Charles Street, Baltimore, MD 21218
 - Halstead at Guilford – 228 units, 13 stories
3900 N. Charles Street, Baltimore, MD 21218
 - Hopkins House – 272 units, 18 stories
110 West 39th Street
Baltimore, MD 21211
 - Marylander – 507 units, 11 stories
3501 St. Paul Street
Baltimore, MD 21211
 - Wyman Park – 130 units, 5 stories
3925 Beech Avenue, Baltimore, MD 21211
 - Wyman Towers – 140 units, 8 stories
3100 St. Paul Street, Baltimore, MD 21218
 - Overall vacancy rate for this area is 6.3%, which is believed to be artificially high because the Blackstone, who is terminating leases to undertake fire upgrades. Adjusting for the skewed figures from the Blackstone, the true vacancy rate for these 11 buildings is approximately 2.9%.
 - See Table 2 for Occupancy Rates at Competitive Properties.
- Parking is a premium in the Charles Village market area.

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- Most of the 11 comparative communities offer garage parking for a fee.
 - See Table 3 for Parking Fees at Competitive Properties.
- Security – all the communities in the market area offer at minimum an intercom/keyed entry system and/or attended entries.
- According to leasing agents, a significant segment of the undergraduate upperclassmen population is not price sensitive but will consider the closest apartments to campus in a secure building.
 - Many will not live alone, even willing to share a moderately-sized one-bedroom unit.
 - Many have cars but do not use them daily.
- Studio/efficiency units are popular with graduate students who pay their rents with stipends.
- Graduate students living in the Charles Village area attend not only the main JHU Homewood campus but also the medical campus on Baltimore's east side. The Hopkins shuttle makes the cross-city commute convenient.

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Table 1: Unit Mix at Competitive Properties

			Efficiency				One Bedroom Units				Two Bedroom Units				Three Bedroom Units			
Community	Structure Type	Total Units	Units	Rent*	SF	Rent/SF	Units	Rent*	SF	Rent/SF	Units	Rent*	SF	Rent/SF	Units	Rent*	SF	Rent/SF
Assembly Building	Midrise	36					32	\$ 1,526	995	\$ 1.53	4	\$ 1,838	1111	\$ 1.65				
Halstead at Guilford	Highrise	228	13	\$ 1,102	510	\$ 2.16	14	\$ 1,293	748	\$ 1.73		\$ 1,814	1329	\$ 1.36		\$ 2,915	2454	\$ 1.19
Hopkins House	Highrise	272	119	\$ 796	582	\$ 1.37	120	\$ 1,041	842	\$ 1.24	33	\$ 1,460	1219	\$ 1.20				
The Carlyle	Highrise	287	56	\$ 755	480	\$ 1.57	123	\$ 992	834	\$ 1.19	102	\$ 1,330	1283	\$ 1.04	4	\$ 1,918	1571	\$ 1.22
Charles Apartments	Highrise	90	50	\$ 642	402	\$ 1.60	30	\$ 918	772	\$ 1.19	20	\$ 1,220	872	\$ 1.40				
Ambassador	Highrise	128	26	\$ 692	435	\$ 1.59	61	\$ 905	757	\$ 1.20	41	\$ 1,414	1271	\$ 1.11				
Marylander	Highrise	465	331	\$ 764	438	\$ 1.74	98	\$ 828	671	\$ 1.23	78	\$ 1,075	796	\$ 1.35				
Broadview	Highrise	140	228	\$ 667	446	\$ 1.50	213	\$ 805	699	\$ 1.15	24	\$ 1,150	1115	\$ 1.03				
Wyman Towers	Highrise	96		\$ 572	375	\$ 1.53		\$ 798	685	\$ 1.16		\$ 1,195	1030	\$ 1.16				
Blackstone	Highrise	507		\$ 597	303	\$ 1.97		\$ 760	667	\$ 1.14		\$ 1,245	1042	\$ 1.19				
Wyman Park	Midrise	130		\$ 647	460	\$ 1.41		\$ 735	670	\$ 1.10		\$ 1,120	990	\$ 1.13		\$ 1,505	1350	\$ 1.11
Total / Average		2379		\$ 723	443	\$ 1.64		\$ 964	\$ 758	\$ 1.26		\$ 1,351	\$ 1,096	\$ 1.24		\$ 2,113	\$ 1,792	\$ 1.17
Unit Distribution		1820	823				691				302				4			
% of Total		77%	45%				38%				17%				0%			

*Rent is adjusted to include only water/server and trash and incentives

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Table 2: Occupancy Rates at Competitive Properties

OCCUPANCY RATES AT COMPETITIVE PROPERTIES								
Community	Year Built or Renovated	Structure Type	Total Units	Vacant Units	Vacancy Rate	Average 1BR Rent*	Average 2BR Rent*	Incentive
Assembly Building	2006	Midrise	36	4	11.1%	1,526.00	1,838.00	None
Halstead at Guilford**	2006	Highrise	228	1	0.4%	1,358.00	1,894.00	None
Hopkins House**	2008	Highrise	272	8	2.9%	1,076.00	1,505.00	None
The Carlyle**	2008	Highrise	287	8	2.8%	1,009.00	1,342.00	\$500 off 1st Month
Charles Apartments	1932	Highrise	90	8	8.9%	983.00	1,300.00	None
Ambassador	1931	Highrise	128	0	0.0%	970.00	1,494.00	None
Broadview	1952	Highrise	465	6	1.3%	875.00	1,235.00	None
Wyman Towers	1990	Highrise	140	0	0.0%	863.00	1,275.00	None
Blackstone	1932	Highrise	96	38	39.6%	825.00	1,325.00	None
Marylander	1951	Highrise	507	5	1.0%	808.00	1,050.00	None
Wyman Park	1920	Midrise	130	1	0.8%	800.00	1,200.00	None
Total / Average	1967		2379	79	6.3%	1,008.45	1,405.27	

* Contract rent, not adjusted for utilities or incentives

** Major Renovations Undertaken

Table 3: Parking Fees at Competitive Properties

PARKING FEES AT COMPETITIVE PROPERTIES			
Community	Total Units	Type of Parking	Fee*
Assembly Building	36	On Site Surface Lot	1 Free
Halstead at Guilford	228	On Site Garage	\$100
Hopkins House	272	On Site Garage	\$90
The Carlyle	287	On Site Garage	\$125
Charles Apartments	90	Off Site Garage	\$100
Ambassador	128	On Site Garage	\$100
Broadview	465	Underground Garage	\$100
Wyman Towers	140	On Site Surface Lot	\$70
Blackstone	96	Off Site Garage	\$100
Marylander	507	Underground Garage	\$125
Wyman Park	130	On Site Surface Lot	\$50

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Conclusions from the Market and Competitive Analyses

The data from the marketing and competitive analyses supports the multi-family residential, retail, and parking portions of Olmsted Village. The low vacancy rates among the 11 competitive apartment buildings are evidence that this area of Charles Village can support the 219 residential units proposed by Olmsted Village. The apartments will be a mix of studios, one-bedrooms, and two bedrooms and each will have a full kitchen with a range, refrigerator, sink, microwave, and garbage disposal in addition to its own washer and dryer.

Table 4: Olmsted Village Unit Matrix

Olmsted Village Unit Matrix			
Unit Type	Square Footage	Rent/SF	Unit Rent
0A - Studio	675	1.50	\$1,013
1A - 1Bed	746	1.47	\$1,097
1B - 1 Bed	794	1.47	\$1,167
1C - 1 Bed	847	1.47	\$1,245
2A - 2 Bed	982	1.35	\$1,326
2B - 2 Bed	1190	1.35	\$1,607

The per square foot rents for the apartments in Olmsted Village as listed in Table 4 are slightly higher than the per square foot rent in most of the competitive properties but is not expected to be a detriment to marketing or leasing for the following reasons:

- Olmsted Village is a new building with a design and interior finishes that reflect current trends in urban multi-family residential design. All of the other competitive properties were built over thirty years ago. Three of these buildings have undergone major renovations recently, but a renovated apartment is still limited in its ability to adapt to significant plan changes.
- Each of the apartments in Olmsted Village will meet the standards outlined in the Fair Housing Act (FHA) of 1988. The FHA ensures that the bathrooms and kitchens in each apartment in Olmsted Village will have the proper clearances at each fixture and appliance and the ability to be converted to meet the needs of residents with physical disabilities. Because each of the competitive properties were originally built prior to the mandatory implementation of the FHA for new construction, those apartments may not have the ability to meet the needs of any resident with physical disabilities.
- Each apartment will be given one parking space in the garage as a standard amenity. All but one of the competitive properties charges a fee for any on-site parking.
- Each apartment in Olmsted Village will have its own washer and dryer. Only two of the competitive properties, the Assembly Building at Clipper Mill and the Halstead at Guilford also offer this amenity in each apartment. All others have central laundry rooms. (The Assembly Building at Clipper Mill and the Halstead at Guilford also have significantly higher per square foot rents, thereby putting Olmsted Village at a marketing advantage.)

The retail portion of the project will consist of 16,000 net rentable square feet of space and a clear ceiling height of 14'-0". This space will be targeted at a small specialty grocery store tenant like Trader Joe's, but will have the ability to be divided into smaller tenants. The retail portion of the development will occupy the north and east of the site to take advantage of the street frontage. Deliveries to the building will occur along Lovegrove Alley. The retail space will be a cold dark shell that will allow tenants to fit out to their specifications. A lobby will connect the parking garage to the street front.

The 534-car parking garage will be 7 stories with approximately 200,000 GSF and will not be

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visible from the street. The entry and exit will be monitored by a guard, 24 hours a day. Monthly pass holders and residents will have controlled access key cards

ABSORPTION ANALYSIS

Based on the market research and analysis by Real Property Research Group, there are approximately 4779 households in the primary market area that are within the affordability threshold for the proposed studio apartments in Olmsted Village (this figure was derived by assuming a 35% "gross rent burden"). This translates into a capture rate of 1.6% in order to absorb these 78 studio apartments. The marketing analysis showed that there are approximately 3,267 households that are income-qualified for the one- and two- bedroom apartments, which resulted in a capture rate of 4.3% to absorb these 141 apartments.

The aggregate capture rate for Olmsted Village is approximately 2.7% of the income-qualified households in the market area. This figure is viewed as being relatively low and lease-up should not be difficult. Given Olmsted Village's marketing advantages over its competitors, newness, sustainable features, modern floor plans, one included parking space per apartment, walking proximity to JHU and retail establishments, and security, the apartment component of the project should reach stabilization as expected.

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Possible Risks and Concerns about the Competitive Analysis

Similar to the Marketing Analysis portion of this report, the risk-markers concerning the competitive analysis are relatively low. This analysis reveals that the majority of the current housing rental stock is over 30 years old, with 45% over 60 years old. This puts Olmsted Village at an advantage in capturing market share since it will offer the newest rental units and amenities that will also be designed and built to sustainable design standards (see the section on Sustainable Design later in this report).

The retail portion of Olmsted Village is also positioned to capture market share within the retail sector because the community has voiced their desire for more retail establishments in the immediate area. The sustainable features of the building will result in lower utility costs for retail tenants and higher marketing opportunities.

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DESIGN & ARCHITECTURE

The overall architectural aesthetic will be of “collegiate” modern design to integrate the Georgian aesthetic of Charles Commons and the modern feel of Village Lofts.



Figure 5: Charles Commons



Figure 6: Charles Commons



Figure 7: Village Lofts, photo courtesy of Hord Coplan Macht

Sustainable Design

As of July 1, 2008, the Baltimore City Building Code requires that all new structures over 10,000 SF be designed to meet a silver-level standard set forth by the United States Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program (or approved equivalent). The LEED program is one of many sustainable design standards available but is the most popular for commercial and mid-to-high-rise multi-family developments.

Sustainable design focuses on site selection, conservation of natural resources, energy efficiency, water efficiency, material efficiency, and healthy indoor environment. The main focus of these tenets revolves around being mindful of the location and type of land a building sits on, how much energy and water it uses, the quality and quantity of the materials and their affects on human health.

A huge segment of the development community in Baltimore voiced vocal disapproval over this new green building legislation citing cost as the main reason buildings should not be mandated to meet any sustainable design standard. In the years since sustainable design made its mainstream debut, it has been observed that the best way to mitigate against the perceived higher cost of sustainable design is to make smart decisions as early as possible in the planning phases regarding a project's site, design, building systems, furnishings, and construction practices. Contrary to common belief, sustainable design does not require adding extra technologies or equipment to a standard building and deals with a lot of the same things as standard buildings like windows, carpets, toilets, air conditioning, parking, among others, but origin, performance, materials, and efficiency are the determining factors for selection.

Despite the notion that the budgetary requirements of a sustainable building may be greater than that of a standard building, the lifetime savings from the lower maintenance and operational requirements of the sustainable building more than pays for their initial upfront cost. A LEED certified building could expect to see a financial benefit between \$50 - \$65 per square foot of net present value over a twenty-year analysis according to Gregory Kats' *Green Building Costs and Financial Benefits*. Simply stated, if the premium for a LEED certified building is about \$3-5 per square foot in upfront costs, over a twenty year analysis of maintenance and operational savings, the original premium will pay for itself roughly ten times over. This twenty-year cost savings analysis works financially in the favor of developers who are long-term holders of their properties, but can also help those who plan to develop and sell their properties within a shorter timeframe. (This is also a benefit to developers of retail and commercial properties who pass along utility, operational, and maintenance costs to tenants.) While these developers may not benefit directly in the short term ("short term" meaning for holding periods less than ten years) from the twenty plus-year lifecycle savings, the benefits to the overall resale value of the building brought about by adopting sustainable design features still stands as a worthy initial investment.

As found in the Kats study, the upfront costs associated with implementing sustainable design features eventually pays for itself by decreasing the operational and maintenance costs for the building. Even if the property is sold within ten years, the decreased operational and maintenance costs will result in a higher net operating income (NOI), which for income-producing properties, translates into increased value. This reinforces the point that an appropriate cost model must be developed when comparing a sustainable building to a non-sustainable building. When assessing an income-producing property's value, a sustainable building will fare better because a standard building will most likely have higher capital expenditures at more regular intervals and higher operational and maintenance costs that will reduce the overall NOI. The higher NOI associated with the sustainable building also has the potential to garner better permanent financing options from lenders since the property will have less challenges meeting its debt financing ratio. So even if a developer plans to sell a property within two to ten years post-occupancy, it is still worth the initial investment to integrate sustainable design features to ensure more favorable financing options and a higher re-sale value over a standard building.

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The following sustainable features will be incorporated into Olmsted Village:

- Energy Star appliances
- Water-source heat pumps for increased energy efficiency
 - Contributes to lower tenant utility bills. Even though the apartment residents and retail tenants will pay for their utilities, the lower utility costs will be an effective marketing feature for leasing and marketing.
- Low-e, and insulated glass windows
- Low flow showerheads and dual flush toilets
- Compact fluorescent light fixtures
- Solar panels on roof to power the corridor lights
- Low VOC finishes – paint, carpet, sealants, adhesives, cabinetry
- Large windows to increase the natural light in each apartment and retail space.
 - Ample natural light into each residential apartment will reduce the need for artificial lighting during the day.
 - Studies have shown that increasing the amount of natural light in a retail environment results in an increase of time customers spend in the store, which can, in turn, increase sales.
- Fly ash in poured concrete structure
- Use of regional materials
- Vegetated roof to control water runoff, reduce solar heat gain in warm months, and provide increased roof insulation in the winter months.
- Proximity to mass transit

See Table 5 for the LEED-NC Silver checklist. Achieving a LEED Silver rating requires a minimum of 33 – 38 points. Olmsted Village will be designed for 37 points, but will also include provisions to attain an additional 14 points.

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Table 5: LEED-NC Checklist


LEED-NC

LEED-NC Version 2.2 Registered Project Checklist
Olmsted Village
Mixed-Use Development: Apartments and Retail

Yes	?	No			
8	5		Sustainable Sites		14 Points
Y			Prereq 1	Construction Activity Pollution Prevention	Requires
1			Credit 1	Site Selection	1
	1		Credit 2	Development Density & Community Connectivity	1
		X	Credit 3	Brownfield Redevelopment	1
1			Credit 4.1	Alternative Transportation, Public Transportation Access	1
1			Credit 4.2	Alternative Transportation, Bicycle Storage & Changing Rooms	1
1			Credit 4.3	Alternative Transportation, Low-Emitting and Fuel-Efficient Vehicles	1
	1		Credit 4.4	Alternative Transportation, Parking Capacity	1
	1		Credit 5.1	Site Development, Protect or Restore Habitat	1
	1		Credit 5.2	Site Development, Maximize Open Space	1
1			Credit 6.1	Stormwater Design, Quantity Control	1
1			Credit 6.2	Stormwater Design, Quality Control	1
	1		Credit 7.1	Heat Island Effect, Non-Roof	1
1			Credit 7.2	Heat Island Effect, Roof	1
1			Credit 8	Light Pollution Reduction	1
4			Water Efficiency		5 Points
1			Credit 1.1	Water Efficient Landscaping, Reduce by 50%	1
1			Credit 1.2	Water Efficient Landscaping, No Potable Use or No Irrigation	1
		X	Credit 2	Innovative Wastewater Technologies	1
1			Credit 3.1	Water Use Reduction, 20% Reduction	1
1			Credit 3.2	Water Use Reduction, 30% Reduction	1
4	4		Energy & Atmosphere		17 Points
Y			Prereq 1	Fundamental Commissioning of the Building Energy Systems	Requires
Y			Prereq 2	Minimum Energy Performance	Requires
Y			Prereq 3	Fundamental Refrigerant Management	Requires
2	2		Credit 1	Optimize Energy Performance	1 to 10
		X	Credit 2	On-Site Renewable Energy	1 to 2
	1		Credit 3	Enhanced Commissioning	1
1			Credit 4	Enhanced Refrigerant Management	1
	1		Credit 5	Measurement & Verification	1
1			Credit 6	Green Power	1
continued...					
6	2		Materials & Resources		13 Points
Y			Prereq 1	Storage & Collection of Recyclables	Requires
		X	Credit 1.1	Building Reuse, Maintain 75% of Existing Walls, Floors & Roof	1
		X	Credit 1.2	Building Reuse, Maintain 100% of Existing Walls, Floors & Roof	1
		X	Credit 1.3	Building Reuse, Maintain 50% of Interior Non-Structural Elements	1
1			Credit 2.1	Construction Waste Management, Divert 50% from Disposal	1
1			Credit 2.2	Construction Waste Management, Divert 75% from Disposal	1
		X	Credit 3.1	Materials Reuse, 5%	1
		X	Credit 3.2	Materials Reuse, 10%	1

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1			Credit 4.1	Recycled Content, 10% (post-consumer + ½ pre-consumer)	1	
1			Credit 4.2	Recycled Content, 20% (post-consumer + ½ pre-consumer)	1	
1			Credit 5.1	Regional Materials, 10% Extracted, Processed & Manufactured Regionally	1	
	1		Credit 5.2	Regional Materials, 20% Extracted, Processed & Manufactured Regionally	1	
	1		Credit 6	Rapidly Renewable Materials	1	
1			Credit 7	Certified Wood	1	
Yes ? No						
12	2		Indoor Environmental Quality			15 Points
Y			Prereq 1	Minimum IAQ Performance	Require	
Y			Prereq 2	Environmental Tobacco Smoke (ETS) Control	Require	
1			Credit 1	Outdoor Air Delivery Monitoring	1	
		X	Credit 2	Increased Ventilation	1	
1			Credit 3.1	Construction IAQ Management Plan, During Construction	1	
1			Credit 3.2	Construction IAQ Management Plan, Before Occupancy	1	
1			Credit 4.1	Low-Emitting Materials, Adhesives & Sealants	1	
1			Credit 4.2	Low-Emitting Materials, Paints & Coatings	1	
1			Credit 4.3	Low-Emitting Materials, Carpet Systems	1	
1			Credit 4.4	Low-Emitting Materials, Composite Wood & Agrifiber Products	1	
1			Credit 5	Indoor Chemical & Pollutant Source Control	1	
1			Credit 6.1	Controllability of Systems, Lighting	1	
	1		Credit 6.2	Controllability of Systems, Thermal Comfort	1	
1			Credit 7.1	Thermal Comfort, Design	1	
	1		Credit 7.2	Thermal Comfort, Verification	1	
1			Credit 8.1	Daylight & Views, Daylight 75% of Spaces	1	
1			Credit 8.2	Daylight & Views, Views for 90% of Spaces	1	
Yes ? No						
3	1		Innovation & Design Process			5 Points
1			Credit 1.1	Innovation in Design: Green Housekeeping	1	
1			Credit 1.2	Innovation in Design: Tenant Education	1	
	1		Credit 1.3	Innovation in Design: Exemplary Performance	1	
			Credit 1.4	Innovation in Design: Provide Specific Title	1	
1			Credit 2	LEED® Accredited Professional	1	
Yes ? No						
37	14		Project Totals (pre-certification estimates)			69 Points
Certified 26-32 points Silver 33-38 points Gold 39-51 points Platinum 52-69 points						

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Contract for Architectural Services

The contract for architectural services will be fixed-fee. The services of the mechanical, electrical, plumbing, and structural engineer will be contracted through the architect for billing and coordination efficiency. Any services outside the scope of work listed in the AIA B141 *Standard Form Of Agreement Form Between Owner And Architect Of Architect's Services* will be considered an additional service and the method of payment to cover those additional services will be discussed with Blujay LLC and the architect prior to the execution of that work.

The architectural fees listed below include the services of the structural and mechanical, electrical, and plumbing engineers:

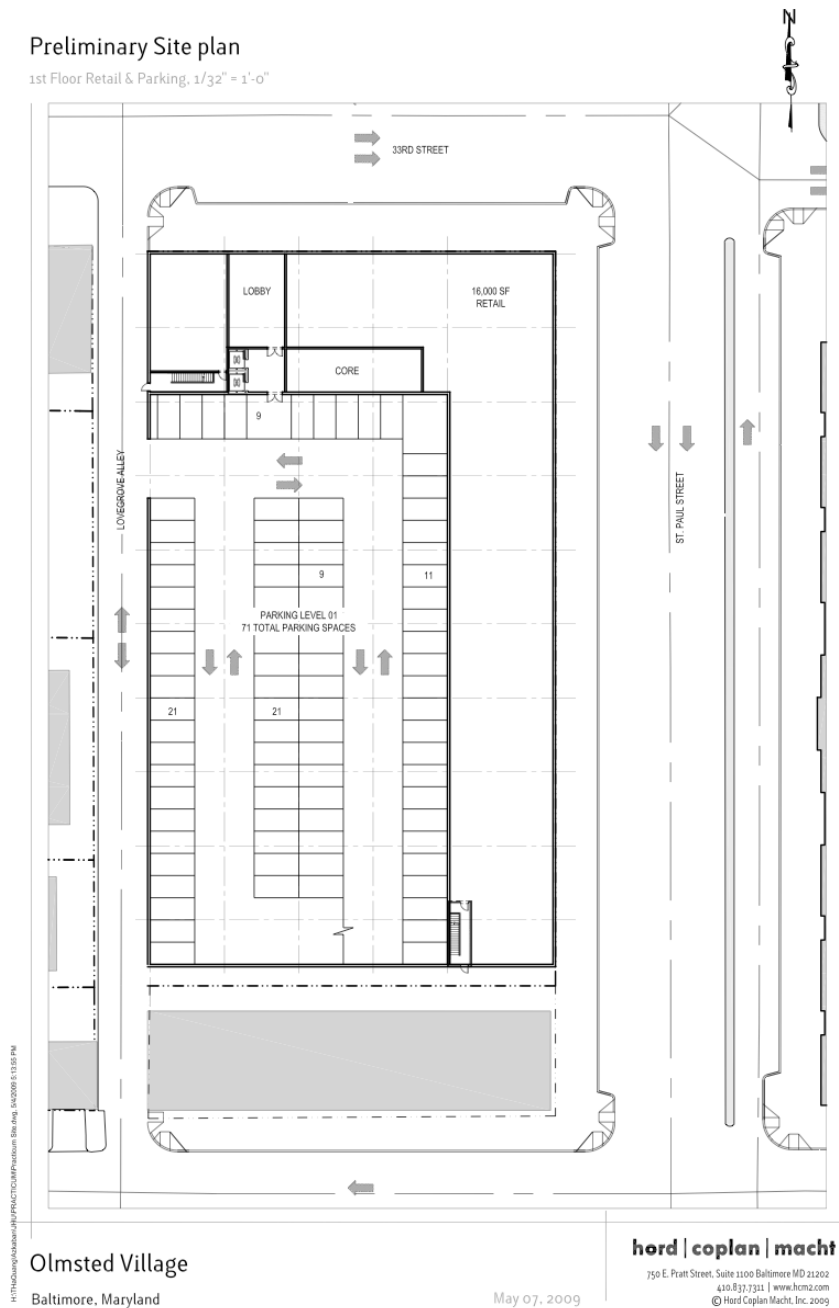
Olmsted Village Design Fees	
Phase	Fee
Programming/ Feasibility Analysis	\$99,856
Schematic Design	\$199,711
Design Development	\$399,423
Construction Documents	\$698,990
Bidding and Negotiation	\$99,856
Construction Administration	\$499,278
TOTAL	\$1,997,114

The architect will also assume the responsibility for registering the project with USBGC and monitoring the LEED process with each phase. The entire design documentation is expected to take approximately 12 months starting January 11th, 2010.

Olmsted Village Preliminary Design Schedule		
	Start	End
Programming/ Feasibility Analysis	January 11, 2010	February 12, 2010
Schematic Design	February 24, 2010	April 28, 2010
Review Period	April 29, 2010	May 7, 2010
Design Development	May 12, 2010	July 30, 2010
Review Period	August 2, 2010	August 9, 2010
Permit Set	August 16, 2010	October 22, 2010
File for Permit	October 25, 2010	
Bid Set	October 26, 2010	November 22, 2010
100% CDs	November 23, 2010	January 21, 2011
<i>Expected Receipt of Bids</i>	January 24, 2009	
<i>Expected Receipt of Permit</i>	January 31, 2011	

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Figure 8: Preliminary Site Plan, Not to Scale

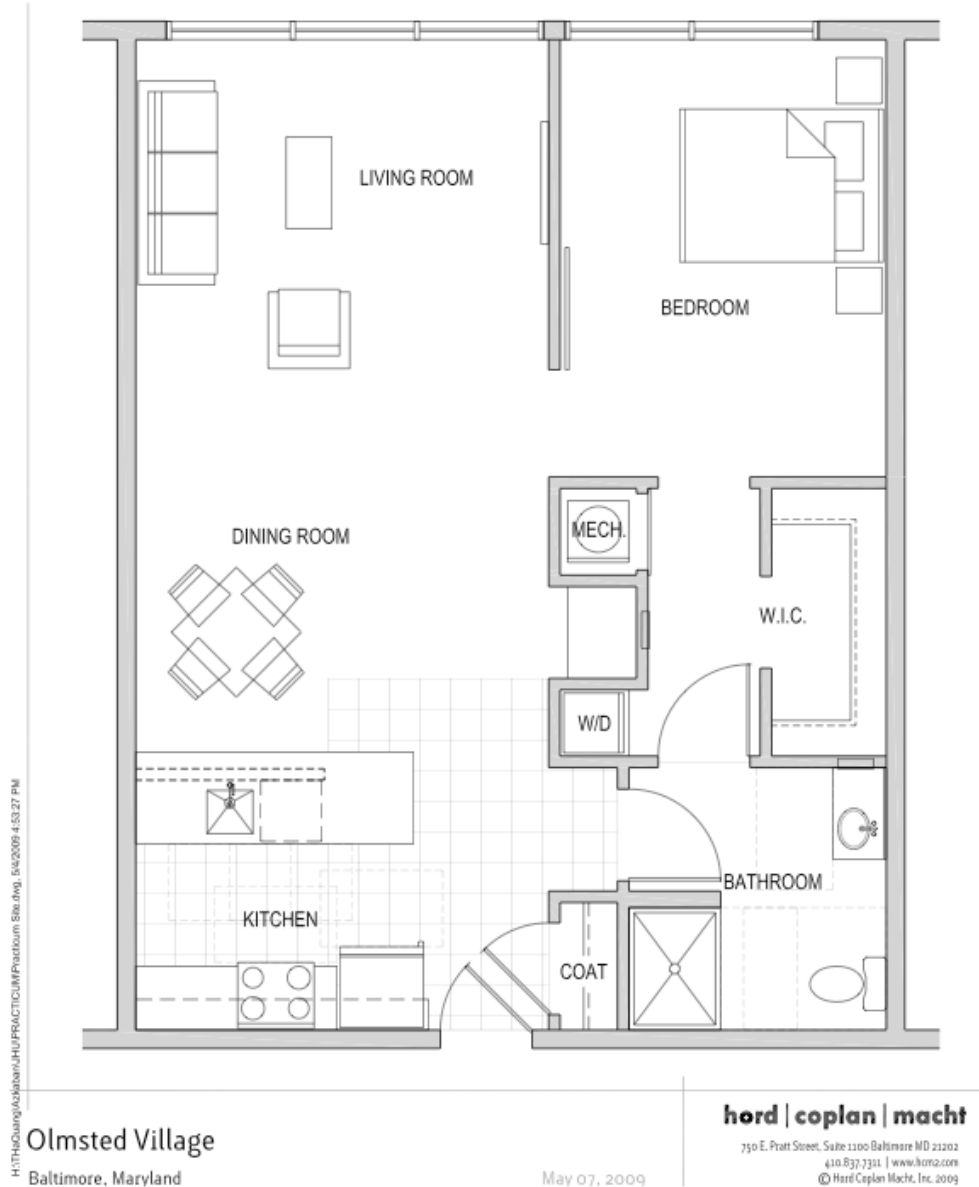


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Figure 10: Preliminary Unit Plan, Not to Scale

Preliminary Unit Plan

Unit 1A - 1 Bedroom, 1 Bath @ 794 SF



Possible Risks and Concerns with the Design & Architecture

BluWolfe Development does not believe that the design or sustainability features will pose any substantial risk to the project or development. The sustainable features will in fact increase the appeal and marketability of this project because the general population now recognizes that human consumption patterns have a direct affect on the environment and consumer prices paid for goods and services.

Younger segments of the population, especially college-age students, possess a great passion for environmental causes. Within the past few years, Johns Hopkins University's Homewood campus has adopted a comprehensive sustainability initiative which started as a student-driven mission that eventually spread to all facets of the school. After seeing the benefits of sustainable design at other institutions, the school now includes sustainable features in its operations, facilities management and buildings.

Throughout the design phases of the project, BluJay, LLC will conduct regular weekly meetings with the architect and engineers to ensure that the scope of the program is captured in the design documents. Members of BluJay, LLC will also hold regular internal meetings to make sure that the project is moving forward in accordance to the schedule and terms of the operating agreement. These internal meetings will also serve to review the architect's progress and to ensure that the project has captured the entire scope in an effort to avoid any additional services and change orders during construction.

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CONSTRUCTION

Because the existing buildings have already been demolished and removed from the site, there is no clearing required prior to the start of construction. While the site is not flat, the amount of cut and fill is relatively minor. There is no plan for occupiable interior subterranean spaces in either the parking garage or mixed-use building.

The parking garage will be Type 1A construction and employ precast concrete elements instead of the traditional cast-in-place concrete to minimize the construction time. Due to its size and scale, the 250,000 GSF mixed-use building will be of Type IA, non-combustible for high-rise construction. As such, the load-bearing structure of the building will be made of concrete, masonry or steel columns with concrete floor plates. Concrete floor construction not only meets the required floor/ceiling assembly fire rating, but also minimizes the floor plate thickness. This will maximize the interior floor to ceiling clear floor space.

The exterior skin of the building will be non-load bearing, and employ masonry, fiber cement, and glass curtain wall. The long span interior partition walls will be framed with prefabricated metal stud wall panels to reduce product waste and to reduce the erection time.

The mixed-use building and parking garage will be completely sprinklered to an NFPA 13 standard as outlined in the 2006 International Building Code and National Fire Protection Association regulations.

Construction Budget

All preliminary cost data was obtained from the 2008 RS Means Building Construction Data Manual. Each component of Olmsted Village was priced as separate components based on use group:

Parking	\$9,354,345
Apartments	\$33,794,280
Retail	\$1,395,000
Site Costs	\$1,000,000
Total	\$45,543,625

These construction figures are conservative since they are based on last year's (the most current published year) construction data. Since the last quarter of 2008, general contractors have reported a noticeable decrease of 7 – 10% in the cost of construction by their subcontractors. The actual cost of construction for Olmsted Village will most likely be less than the figures listed above.

Land Costs

All existing structures on the Olmsted Village site have already been demolished and removed by the previous landowner. All the lots have been consolidated and the purchase of the property includes the existing planned unit development rezoning. The Olmsted Village development plan complies with the allowances as outlined in the current PUD. Although the site has already been cleared of all existing structures, BluJay, LLC forecasts an additional cost of \$1,000,000 to prepare the site for construction.

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Table 6: Schedule of Values

Olmsted Village Schedule of Values					
		Apartments & Retail		Parking Garage	
Division	Title	Estimated Cost	% of Total	Estimated Cost	% of Total
1	General Requirements	999,391	2.84%	265,668	2.84%
2	Sitework	1,000,000	2.84%	911,922	9.75%
3	Concrete	3,665,899	10.42%	6,237,761	66.68%
4	Masonry	441,083	1.25%		
5	Metals	187,687	0.53%	70,158	0.75%
6	Carpentry	5,587,451	15.88%	1,485,309	15.88%
7	Moisture Protection	1,736,892	4.94%		
8	Doors, Windows, Glass	954,374	2.71%		
9	Finishes	3,656,861	10.39%	9,354	0.10%
10	Specialties	336,415	0.96%		
11	Equipment	1,164,323	3.31%		
12	Furnishings	519,471	1.48%		
13	Special Construction	283,230	0.80%		
14	Conveying Systems	876,664	2.49%	187,087	2.00%
15	Mechanical	6,241,517	17.74%	93,543	1.00%
16	Electrical	3,674,400	10.44%	93,543	1.00%
	Miscellaneous	329,086	0.94%		
	Contingency	3,534,536	10.04%		
Subtotal		\$35,189,280	100%	\$9,354,345	100%
TOTAL				\$44,543,625	

Table 7: Draw Schedule

Olmsted Village Draw Schedule							Construction Costs + Interest	
MONTH	% Draw	Application for Payment	Mixed Use Building	Parking Garage		Subtotal	Current Interest	New Loan Balance
March	0.94%	1	329,407	15.00%	1,403,152	1,732,558	9,746	1,742,304
April	0.60%	2	209,990	35.00%	3,274,021	3,484,011	29,398	5,255,713
May	2.60%	3	914,662	40.00%	3,741,738	4,656,400	55,756	9,967,869
June	2.61%	4	918,573	10.00%	935,435	1,854,008	66,498	11,888,375
July	9.34%	5	3,286,971			3,286,971	85,361	15,260,707
August	6.48%	6	2,280,365			2,280,365	98,669	17,639,740
September	11.66%	7	4,101,799			4,101,799	122,296	21,863,835
October	7.15%	8	2,517,186			2,517,186	137,143	24,518,164
November	6.06%	9	2,134,223			2,134,223	149,920	26,802,307
December	9.89%	10	3,481,422			3,481,422	170,346	30,454,075
January	12.15%	11	4,274,032			4,274,032	195,346	34,923,453
February	7.84%	12	2,757,265			2,757,265	211,954	37,892,672
March	7.80%	13	2,744,237			2,744,237	228,583	40,865,492
April	8.65%	14	3,044,985			3,044,985	246,996	44,157,474
May	1.50%	15	529,132			529,132	251,362	44,937,968
June	4.73%	16	1,665,031			1,665,031	262,142	46,865,140
	100.00%		35,189,280	100.00%	9,354,345	44,543,625	Total	46,865,140

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Construction Contract

The construction contract between BluJay, LLC and the general contractor will be a Guaranteed Maximum Price (GMP) also known as a *Not To Exceed* contract. In this type of arrangement, the general contractor is compensated for actual costs incurred within a predetermined price ceiling plus a fixed fee. Any cost overrun outside of the original contracted amount is the responsibility of the general contractor unless there has been an approved increase to the GMP. The project will be openly bid for competitive market pricing.

Services of a Construction Manager will be contracted during the design phases to provide current pricing at each major drawing submission. The fees for this consultant will be covered by the equity funds provided by the major equity partner.

Construction Time Line

Construction will begin in March of 2011 to take advantage of good weather and reduce the chances of delays due to wet or unsuitable soils commonly experienced in the winter months from snow and freezing conditions. The total construction for the parking garage is projected to take 4 months since the main structure will consist mainly of precast concrete panels. Construction is expected to be complete by June 2012 to accommodate the marketing and move-in time for students in the fall.

OLMSTED VILLAGE
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Table 8: Preliminary Construction Schedule

	Month 01	Month 02	Month 03	Month 04	Month 05	Month 06	Month 07	Month 08	Month 09	Month 10	Month 11	Month 12	Month 13	Month 14	Month 15	Month 16
	OLMSTED VILLAGE PRELIMINARY CONSTRUCTION SCHEDULE															
	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012
Sitework, Utilities, Building Exterior	3/1/2011									2/1/2022						
Sediment Control	3/1/2011		5/1/2011													
Mobilize	3/1/2011	4/1/2011														
Grading & Utilities			5/1/2011			8/15/2011										
Water				6/1/11 - 6/15/11												
Sewer				6/15/2011	7/6/2011											
Road Utillties & Improvements		4/13/2011					9/1/2011									
Site Concrete & Paving				6/15/2011				11/1/2011								
Building close-in							9/1/2011				1/15/2012					
Landscape						8/15/2011					1/15/2012					
Structure																
Foundation				6/1/2011						12/13/2011						
Masonry& Concrete						8/1/2011						2/1/2012				
Framing							9/11/2011			12/14/2011						
Rough-ins								10/1/2011			1/15/2012					
Elevator									11/1/2011			2/1/2012				
Finishes										12/21/2011					5/15/2012	
Inspection & Turnover													3/15/2012			6/15/2012

Possible Risks and Concerns with the Construction of Olmsted Village

As mentioned above, the current economic recession has reduced the cost of construction across the trades by about 7 – 10% in the Baltimore area. Subcontractors eager to stay in business have been lowering quoted prices, which has produced favorable overall construction costs for projects currently in development. The main concern for developers in times like these is the increase occurrence of change orders and amendments to the construction contract. Change orders are common ways for sub contractors to recoup any fee they may have cut out of their original bid in order to win the construction contract.

To avoid unnecessary change orders, it is imperative that the architect and pre-construction manager conduct regular cost estimating exercises after each major drawing submission. Cost estimating, especially at the early, schematic phase establishes a baseline against which the rest of the construction pricing can be judged. Regular cost estimates will also help identify when and where value engineering is required to reduce construction costs.

PRO FORMA AND CASH FLOWS

Apartments

Based on the rents listed in Table 4, the multi-family residential portion of Olmsted Village is scheduled to take three years to reach stabilization. The first year post construction is expected to be at 50% occupancy, reaching 75% and then 100% within the next two years. The rents for these apartments will not escalate during the first three years as an incentive for the first residents to renew their leases. Rents will begin to escalate at a 2% rate starting the fourth year.

A 3% vacancy rate has been factored into the pro forma, which is a conservative figure according to the marketing analysis data. Although Table 2 states that the average vacancy rate hovers around 6.3% for all 11 competitive properties, this figure is artificially inflated because the Blackstone is terminating leases for fire and safety upgrades, and as such has an unusually high vacancy rate. Not counting the Blackstone, the average vacancy rate for the competitive properties is 2.9%.

After reaching stabilization, the projected operating expense ratio (OER) starts at 16.2% and increases steadily as the building ages eventually hovering around 22.2% - 24.6% over a twenty-year period. Based on these figures, the multi-family residential component of Olmsted Village runs efficiently. This efficiency ratio is due in part to the operational efficiencies expected from the sustainable features of the building and the strong marketing data that supports a high occupancy rate.

Retail

The retail space on the first floor of Olmsted Village will be designed to accommodate one large tenant or several smaller tenants. Aggressive marketing and leasing of this space will begin prior to construction to help secure permanent financing. Based on data from CoStar, per square foot rent of comparable retail spaces in the market area are between \$16 and \$26 triple net (NNN). The per square foot rent for the retail space in Olmsted Village will start at \$19/SF and escalate at 1.5% per year. Because this retail space will have a NNN lease, the OER for this retail space is projected to be around 10% over a twenty-year period.

Parking Garage

Due to the high demand for parking in Charles Village, the parking garage component of Olmsted Village is expected to have the shortest required stabilization period. 315 parking spaces will be available to the public on a daily basis, which will include monthly pass holders. The parking garage is expected to reach peak capacity during the weekend of JHU graduation in the late spring and undergraduate move-in in the late summer. The OER for the parking garage is expected to start around 3.9% and over a twenty-year period escalate upwards toward 4.9%.

OLMSTED VILLAGE
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Table 9: Apartments Pro Forma																							
OLMSTED VILLAGE: CASH FLOW FOR APARTMENTS																							
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	
					Start Escal																		
	2.0% Escal	\$ 1,032,244	\$ 1,566,508	\$ 3,030,742	\$ 3,091,357	\$ 3,153,184	\$ 3,216,248	\$ 3,280,573	\$ 3,346,185	\$ 3,413,108	\$ 3,481,370	\$ 3,550,998	\$ 3,622,018	\$ 3,694,458	\$ 3,768,347	\$ 3,843,714	\$ 3,920,589	\$ 3,999,000	\$ 4,078,980	\$ 4,160,560	\$ 4,243,771	\$ 4,328,647	
Subtotal		\$ 1,032,244	\$ 1,566,508	\$ 3,030,742	\$ 3,091,357	\$ 3,153,184	\$ 3,216,248	\$ 3,280,573	\$ 3,346,185	\$ 3,413,108	\$ 3,481,370	\$ 3,550,998	\$ 3,622,018	\$ 3,694,458	\$ 3,768,347	\$ 3,843,714	\$ 3,920,589	\$ 3,999,000	\$ 4,078,980	\$ 4,160,560	\$ 4,243,771	\$ 4,328,647	
Potential Gross Income		\$ 1,032,244	\$ 1,566,508	\$ 3,030,742	\$ 3,091,357	\$ 3,153,184	\$ 3,216,248	\$ 3,280,573	\$ 3,346,185	\$ 3,413,108	\$ 3,481,370	\$ 3,550,998	\$ 3,622,018	\$ 3,694,458	\$ 3,768,347	\$ 3,843,714	\$ 3,920,589	\$ 3,999,000	\$ 4,078,980	\$ 4,160,560	\$ 4,243,771	\$ 4,328,647	
Less																							
Vancancy	3.0%			\$ 90,922	\$ 92,741	\$ 94,596	\$ 96,487	\$ 98,417	\$ 100,386	\$ 102,393	\$ 104,441	\$ 106,530	\$ 108,661	\$ 110,834	\$ 113,050	\$ 115,311	\$ 117,618	\$ 119,970	\$ 122,369	\$ 124,817	\$ 127,313	\$ 129,859	
Collections	2.0%	\$ 20,645	\$ 31,330	\$ 60,615	\$ 61,827	\$ 63,064	\$ 64,325	\$ 65,611	\$ 66,924	\$ 68,262	\$ 69,627	\$ 71,020	\$ 72,440	\$ 73,889	\$ 75,367	\$ 76,874	\$ 78,412	\$ 79,980	\$ 81,580	\$ 83,211	\$ 84,875	\$ 86,573	
Subtotal		\$ 20,645	\$ 31,330	\$ 151,537	\$ 154,568	\$ 157,659	\$ 160,812	\$ 164,029	\$ 167,309	\$ 170,655	\$ 174,069	\$ 177,550	\$ 181,101	\$ 184,723	\$ 188,417	\$ 192,186	\$ 196,029	\$ 199,950	\$ 203,949	\$ 208,028	\$ 212,189	\$ 216,432	
Effective Gross Income		\$ 1,011,599	\$ 1,535,178	\$ 2,879,205	\$ 2,936,789	\$ 2,995,525	\$ 3,055,436	\$ 3,116,544	\$ 3,178,875	\$ 3,242,453	\$ 3,307,302	\$ 3,373,448	\$ 3,440,917	\$ 3,509,735	\$ 3,579,930	\$ 3,651,529	\$ 3,724,559	\$ 3,799,050	\$ 3,875,031	\$ 3,952,532	\$ 4,031,583	\$ 4,112,214	
Operating Expenses																							
Real Estate Taxes		\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	\$ 569,824	
Heat	2.0% Escal	\$ 9,185	\$ 9,369	\$ 9,556	\$ 9,748	\$ 9,943	\$ 10,141	\$ 10,344	\$ 10,551	\$ 10,762	\$ 10,977	\$ 11,197	\$ 11,421	\$ 11,649	\$ 11,882	\$ 12,120	\$ 12,362	\$ 12,610	\$ 12,862	\$ 13,119	\$ 13,381	\$ 13,649	
Electricity	2.0% Escal	\$ 36,742	\$ 37,476	\$ 38,226	\$ 38,990	\$ 39,770	\$ 40,566	\$ 41,377	\$ 42,205	\$ 43,049	\$ 43,910	\$ 44,788	\$ 45,684	\$ 46,597	\$ 47,529	\$ 48,480	\$ 49,449	\$ 50,438	\$ 51,447	\$ 52,476	\$ 53,526	\$ 54,596	
Water	2.0% Escal	\$ 8,891	\$ 9,069	\$ 9,251	\$ 9,436	\$ 9,624	\$ 9,817	\$ 10,013	\$ 10,214	\$ 10,418	\$ 10,626	\$ 10,839	\$ 11,055	\$ 11,277	\$ 11,502	\$ 11,732	\$ 11,967	\$ 12,206	\$ 12,450	\$ 12,699	\$ 12,953	\$ 13,212	
Insurance	1.0% Escal	\$ 10,000	\$ 10,100	\$ 10,201	\$ 10,303	\$ 10,406	\$ 10,510	\$ 10,615	\$ 10,721	\$ 10,829	\$ 10,937	\$ 11,046	\$ 11,157	\$ 11,268	\$ 11,381	\$ 11,495	\$ 11,610	\$ 11,726	\$ 11,843	\$ 11,961	\$ 12,081	\$ 12,202	
Janitor	2.0% Escal	\$ 18,000	\$ 18,360	\$ 18,727	\$ 19,102	\$ 19,484	\$ 19,873	\$ 20,271	\$ 20,676	\$ 21,090	\$ 21,512	\$ 21,942	\$ 22,381	\$ 22,828	\$ 23,285	\$ 23,751	\$ 24,226	\$ 24,710	\$ 25,204	\$ 25,708	\$ 26,223	\$ 26,747	
Management	5.0% fee	\$ 51,612	\$ 78,325	\$ 151,537	\$ 154,568	\$ 157,659	\$ 160,812	\$ 164,029	\$ 167,309	\$ 170,655	\$ 174,069	\$ 177,550	\$ 181,101	\$ 184,723	\$ 188,417	\$ 192,186	\$ 196,029	\$ 199,950	\$ 203,949	\$ 208,028	\$ 212,189	\$ 216,432	
Pre-lease Agent		\$ 60,000	\$ 60,000																				
Subtotal		\$ 764,254	\$ 792,524	\$ 807,322	\$ 811,970	\$ 816,710	\$ 821,544	\$ 826,473	\$ 831,500	\$ 836,626	\$ 841,854	\$ 847,185	\$ 852,622	\$ 858,166	\$ 863,820	\$ 869,586	\$ 875,467	\$ 881,463	\$ 887,579	\$ 893,816	\$ 900,176	\$ 906,662	
Net Operating Income		\$ 247,345	\$ 742,654	\$ 2,071,883	\$ 2,124,819	\$ 2,178,815	\$ 2,233,892	\$ 2,290,072	\$ 2,347,376	\$ 2,405,827	\$ 2,465,448	\$ 2,526,263	\$ 2,588,295	\$ 2,651,569	\$ 2,716,110	\$ 2,781,942	\$ 2,849,092	\$ 2,917,587	\$ 2,987,452	\$ 3,058,716	\$ 3,131,407	\$ 3,205,552	
Less																							
Capital Reserve	5.0%	\$ 12,367	\$ 37,133	\$ 103,594	\$ 106,241	\$ 108,941	\$ 111,695	\$ 114,504	\$ 117,369	\$ 120,291	\$ 123,272	\$ 126,313	\$ 129,415	\$ 132,578	\$ 135,805	\$ 139,097	\$ 142,455	\$ 145,879	\$ 149,373	\$ 152,936	\$ 156,570	\$ 160,278	
Improvements @ Rollov	2.0%	\$ -	\$ -	\$ 41,438	\$ 42,496	\$ 43,576	\$ 44,678	\$ 45,801	\$ 46,948	\$ 48,117	\$ 49,309	\$ 50,525	\$ 51,766	\$ 53,031	\$ 54,322	\$ 55,639	\$ 56,982	\$ 58,352	\$ 59,749	\$ 61,174	\$ 62,628	\$ 64,111	
Commission	2.0%	\$ 4,947	\$ 14,853	\$ 41,438	\$ 42,496	\$ 43,576	\$ 44,678	\$ 45,801	\$ 46,948	\$ 48,117	\$ 49,309	\$ 50,525	\$ 51,766	\$ 53,031	\$ 54,322	\$ 55,639	\$ 56,982	\$ 58,352	\$ 59,749	\$ 61,174	\$ 62,628	\$ 64,111	
Subtotal		\$ 17,314	\$ 51,986	\$ 186,469	\$ 191,234	\$ 196,093	\$ 201,050	\$ 206,106	\$ 211,264	\$ 216,524	\$ 221,890	\$ 227,364	\$ 232,947	\$ 238,641	\$ 244,450	\$ 250,375	\$ 256,418	\$ 262,583	\$ 268,871	\$ 275,284	\$ 281,827	\$ 288,500	
CASH FLOW from OPERATIONS		\$ 230,031	\$ 690,669	\$ 1,885,414	\$ 1,933,586	\$ 1,982,722	\$ 2,032,842	\$ 2,083,965	\$ 2,136,112	\$ 2,189,302	\$ 2,243,558	\$ 2,298,899	\$ 2,355,349	\$ 2,412,928	\$ 2,471,660	\$ 2,531,567	\$ 2,592,674	\$ 2,655,004	\$ 2,718,582	\$ 2,783,432	\$ 2,849,580	\$ 2,917,052	
EGI/Expense Ratio		75.5%	51.6%	28.0%	27.6%	27.3%	26.9%	26.5%	26.2%	25.8%	25.5%	25.1%	24.8%	24.5%	24.1%	23.8%	23.5%	23.2%	22.9%	22.6%	22.3%	22.0%	

OLMSTED VILLAGE
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Table 10: Retail Pro Forma																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
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OLMSTED VILLAGE
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Table 11: Parking Garage Pro Forma																						
OLMSTED VILLAGE: CASH FLOW FROM PARKING GARAGE																						
		Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	Year 08	Year 09	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
	Escalations	0.00%	0.00%	2.00%	0.00%	0.00%	2.00%	0.00%	0.00%	2.00%	0.00%	0.00%	2.00%	0.00%	0.00%	2.00%	0.00%	0.00%	2.00%	0.00%	0.00%	2.00%
Effective Gross Income		\$ 1,060,920	\$ 1,060,920	\$ 1,082,138	\$ 1,082,138	\$ 1,082,138	\$ 1,103,781	\$ 1,103,781	\$ 1,103,781	\$ 1,125,857	\$ 1,125,857	\$ 1,125,857	\$ 1,148,374	\$ 1,148,374	\$ 1,148,374	\$ 1,171,341	\$ 1,171,341	\$ 1,171,341	\$ 1,194,768	\$ 1,194,768	\$ 1,194,768	\$ 1,218,664
Operating Expenses:																						
	Real Estate Taxes																					
	Electricity	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	\$ 456,657	
	\$0.05 /SF	\$ 10,031	\$ 10,031	\$ 10,231	\$ 10,436	\$ 10,645	\$ 10,857	\$ 11,075	\$ 11,296	\$ 11,522	\$ 11,753	\$ 11,988	\$ 12,227	\$ 12,472	\$ 12,721	\$ 12,976	\$ 13,235	\$ 13,500	\$ 13,770	\$ 14,045	\$ 14,326	
	\$0.30 /SF	\$ 60,184	\$ 60,184	\$ 61,388	\$ 62,615	\$ 63,868	\$ 65,145	\$ 66,448	\$ 67,777	\$ 69,132	\$ 70,515	\$ 71,925	\$ 73,364	\$ 74,831	\$ 76,328	\$ 77,854	\$ 79,411	\$ 81,000	\$ 82,620	\$ 84,272	\$ 85,957	
Maintenance	\$0.01 /SF	\$ 2,006	\$ 2,006	\$ 2,046	\$ 2,087	\$ 2,129	\$ 2,171	\$ 2,215	\$ 2,259	\$ 2,304	\$ 2,351	\$ 2,398	\$ 2,445	\$ 2,494	\$ 2,544	\$ 2,595	\$ 2,647	\$ 2,700	\$ 2,754	\$ 2,809	\$ 2,865	
Subtotal		\$ 528,878	\$ 528,878	\$ 530,322	\$ 531,795	\$ 533,298	\$ 534,831	\$ 536,394	\$ 537,989	\$ 539,616	\$ 541,275	\$ 542,967	\$ 544,694	\$ 546,454	\$ 548,250	\$ 550,082	\$ 551,951	\$ 553,856	\$ 555,800	\$ 557,783	\$ 559,806	\$ 561,869
Management Fees	\$0.15 /SF	\$ 30,092	\$ 30,092	\$ 30,694	\$ 31,308	\$ 31,934	\$ 32,572	\$ 33,224	\$ 33,888	\$ 34,566	\$ 35,258	\$ 35,963	\$ 36,682	\$ 37,416	\$ 38,164	\$ 38,927	\$ 39,706	\$ 40,500	\$ 41,310	\$ 42,136	\$ 42,979	
Legal/Accounting	\$0.05 /SF	\$ 10,031	\$ 10,031	\$ 10,231	\$ 10,436	\$ 10,645	\$ 10,857	\$ 11,075	\$ 11,296	\$ 11,522	\$ 11,753	\$ 11,988	\$ 12,227	\$ 12,472	\$ 12,721	\$ 12,976	\$ 13,235	\$ 13,500	\$ 13,770	\$ 14,045	\$ 14,326	
Subtotal		\$ 40,123	\$ 40,123	\$ 40,925	\$ 41,744	\$ 42,578	\$ 43,430	\$ 44,299	\$ 45,185	\$ 46,088	\$ 47,010	\$ 47,950	\$ 48,909	\$ 49,887	\$ 50,885	\$ 51,903	\$ 52,941	\$ 54,000	\$ 55,080	\$ 56,181	\$ 57,305	
Net Operating Income		\$ 491,920	\$ 491,920	\$ 510,891	\$ 508,600	\$ 506,262	\$ 525,520	\$ 523,088	\$ 520,607	\$ 540,153	\$ 537,572	\$ 534,939	\$ 554,771	\$ 552,032	\$ 549,239	\$ 569,356	\$ 566,450	\$ 563,485	\$ 583,888	\$ 580,804	\$ 577,657	
Less																						
Capital Reserve	\$0.05 /SF	\$ 10,031	\$ 10,031	\$ 10,231	\$ 10,436	\$ 10,645	\$ 10,857	\$ 11,075	\$ 11,296	\$ 11,522	\$ 11,753	\$ 11,988	\$ 12,227	\$ 12,472	\$ 12,721	\$ 12,976	\$ 13,235	\$ 13,500	\$ 13,770	\$ 14,045	\$ 14,326	
Subtotal		\$ 10,031	\$ 10,031	\$ 10,231	\$ 10,436	\$ 10,645	\$ 10,857	\$ 11,075	\$ 11,296	\$ 11,522	\$ 11,753	\$ 11,988	\$ 12,227	\$ 12,472	\$ 12,721	\$ 12,976	\$ 13,235	\$ 13,500	\$ 13,770	\$ 14,045	\$ 14,326	
CASH FLOW from OPERATIONS		\$ 481,889	\$ 481,889	\$ 500,660	\$ 498,164	\$ 495,617	\$ 514,663	\$ 512,014	\$ 509,311	\$ 528,631	\$ 525,819	\$ 522,952	\$ 542,544	\$ 539,560	\$ 536,517	\$ 556,381	\$ 553,215	\$ 549,985	\$ 570,118	\$ 566,758	\$ 563,331	
EGI/Expense Ratio		3.8%	3.8%	3.8%	3.9%	3.9%	3.9%	4.0%	4.1%	4.1%	4.2%	4.3%	4.3%	4.3%	4.4%	4.4%	4.5%	4.6%	4.6%	4.7%	4.8%	

PROPERTY MANAGEMENT

BluJay, LLC plans to have an in-house property manager on-site to oversee the daily activities of all three components of Olmsted Village. The management office will be located on the first floor of the mixed-use building in the residents' lobby on 33rd Street. While the project is under construction, a leasing agent will rent space in the Charles Commons Building across the street from the project site for marketing and pre-leasing. Renting a space in Charles Commons will eliminate the need for and cost of a marketing trailer.

BluJay, LLC believes that having in-house management of the property is a better option for Olmsted Village because of their long-term commitment to the project and the number of units. While third-party property managers often do an excellent job at managing and maintaining rental properties, BluJay, LLC feels that keeping a personal presence in the neighborhood demonstrates their commitment to the community. This will also prove to the permanent lender that BluJay, LLC plans to remain with the project and holds a personal interest in the success of the project and community.

OLMSTED VILLAGE
STRATEGIC DEVELOPMENT PLAN

CONSTRUCTION FINANCING

Based on the construction draw schedule, the total cost to build Olmsted Village will be approximately \$46,865,140. This figure was based on an interest-only construction loan with a 24-month term and an interest rate of 6.75%. This assumed interest rate for construction financing is based on other current projects of comparable program and a meeting with Development Advisor Watchen Bruce at PNC Bank. Ms. Bruce advised that while the program for Olmsted Village is bold, it would be possible in this current economy to find a lender willing to provide construction financing at these terms.

PERMANENT FINANCING

Ms. Bruce at PNC outlined the following requirements for BluJay, LLC in order to secure permanent financing:

1. Minimum loan to value (LTV) at 70%.
2. Debt service coverage ratio (DSCR) of 1.3.
3. Operating Expense Ratio (OER) at 30% - 40% or less.
4. Documentation of past performance on development projects and records of stabilized projects.
5. Strong letter of intent from retail tenant.

BluJay, LLC plans to seek permanent financing for 75% of the construction cost for Olmsted Village. The remaining 25% will be given in the form of equity by the equity investors. The permanent financing for Olmsted Village will be comprised of one permanent loan for 70% of the mortgaged amount at 6.5% interest for 30 years, and the remaining balance covered by a mini permanent loan at 7.5% with a 5-year term, interest only. After the term of the first mini perm loan, the balloon principal will then be rolled over into another 7.5%, 7-year mini permanent loan.

The high creditworthiness of Johns Hopkins University as the equity investor should help secure the permanent financing for the first take out loan.

OLMSTED VILLAGE: PERMANENT FINANCING PLAN				
	Borrowed Amount	First Mortgage	Years 01- 05 Mini Perm @ 5 Yrs	Years 06-12 Mini Perm @ 7 Yrs
Financing Fee	\$35,148,855	70% \$24,604,199 2.0% \$492,084	30% \$10,544,657 2.0% \$210,893	30% \$9,487,450 2.0% \$189,749
Total		\$25,096,283	\$10,755,550	\$9,677,199
Interest Rate		6.5%	7.5%	7.5%
Term		30 yrs	5 yrs	7 yrs
Mo Payment		(158,626)	(67,222)	(60,482)
Yearly Payment		(1,903,507)	(806,666)	(725,790)
Required DCSR		1.4	1.4	1.4

Based on the cash flow analysis for each of the three components in Olmsted Village, the project is expected to meet and exceed the DSCR starting Year 02, even though stabilization is not scheduled until the end of Year 04. Year 01 will only achieve a DSCR of 1.06 because only 50% of the apartments are expected to be leased by then.

OLMSTED VILLAGE
STRATEGIC DEVELOPMENT PLAN

OLMSTED VILLAGE: BEFORE TAX CASH FLOW																						
	Year 0	Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	Year 08	Year 09	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
CFO Apartments		230,031	690,669	1,885,414	1,933,586	1,982,722	2,032,842	2,083,965	2,136,112	2,189,302	2,243,558	2,298,899	2,355,349	2,412,928	2,471,660	2,531,567	2,592,674	2,655,004	2,718,582	2,783,432	2,849,580	2,917,052
CFO Retail		2,252,440	3,295,124	3,346,589	3,398,846	3,451,908	3,505,786	3,560,494	3,616,043	3,672,447	3,729,719	3,787,872	3,846,919	3,906,874	3,967,750	4,029,563	4,092,326	4,156,053	4,220,760	4,286,461	4,353,172	4,420,907
CFO Parking		481,889	481,889	500,660	498,164	495,617	514,663	512,014	509,311	528,631	525,819	522,952	542,544	539,560	536,517	556,381	553,215	549,985	570,118	566,758	563,331	583,731
NOI Subtotal	(46,865,140)	2,964,360	4,467,682	5,732,663	5,830,596	5,930,247	6,053,291	6,156,473	6,261,466	6,390,380	6,499,096	6,609,723	6,744,811	6,859,362	6,975,927	7,117,511	7,238,215	7,361,043	7,509,460	7,636,651	7,766,083	7,921,690
Debt Service First Mortgage		1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507	1,903,507
Debt Service Mini Perm		806,666	806,666	806,666	806,666	806,666	725,790	725,790	725,790	725,790	725,790	725,790	725,790									
Total Debt Service Pmt		2,710,173	2,710,173	2,710,173	2,710,173	2,710,173	2,629,297	2,629,297	2,629,297	2,629,297	2,629,297	2,629,297	2,629,297									
CFAF	(16,021,416)	254,187	1,757,509	3,022,490	3,120,423	3,220,074	3,423,994	3,527,176	3,632,170	3,761,084	3,869,799	4,706,216	4,841,304	4,955,855	5,072,421	5,214,004	5,334,708	5,457,536	5,605,953	5,733,144	5,862,576	6,018,184
DSCR		1.09	1.65	2.12	2.15	2.19	2.30	2.34	2.38	2.43	2.47	3.47	3.54	3.60	3.66	3.74	3.80	3.87	3.95	4.01	4.08	4.16
ROE		1.59%	10.97%	18.87%	19.48%	20.10%	21.37%	22.02%	22.67%	23.48%	24.15%	29.37%	30.22%	30.93%	31.66%	32.54%	33.30%	34.06%	34.99%	35.78%	36.59%	37.56%
Financing Costs		5.42%																				

OLMSTED VILLAGE
STRATEGIC DEVELOPMENT PLAN

Risks and Concerns with Construction and Permanent Financing

Contrary to Ms. Bruce's cautious, but positive outlook on Olmsted Village's ability to receive construction financing, other lenders took a more conservative approach and were hesitant to provide financing. At a minimum, a project as large as Olmsted Village would need to have permanent financing in place prior to the acquisition of construction financing and may require more than one construction loan. Even with the tight restrictions on lending in these current economic conditions, construction financing through HUD Section 221(d) is a viable option for Olmsted Village. Section 221(d) provides financing for profit-motivated, market rate, multi-family housing projects, but limits the total area of retail use to equal to or less than 10% of the project's total gross square footage.

In addition to the restrictions placed on the gross area of the retail portion of Olmsted Village, HUD financing requires that at least 5% of the apartments (11 total units) be designed to meet the regulations outlined in the Uniform Federal Accessibility Standards (UFAS). UFAS apartments provide greater handicap accessibility than standard FHA-compliant apartments by having slightly modified kitchens and bathrooms that provide greater clear floor spaces and work spaces at appliances and fixtures. FHA-compliant apartments are designed to accommodate the *potential future needs* of a resident with physical disabilities, but unlike UFAS apartments, are not required to have those accessible features in place in order to receive the certificate of occupancy.

UFAS apartments in market-rate housing projects typically experience lower demand than FHA apartments. This slower lease-up will result in an increase in the project's vacancy rate. Pursuing HUD Section 221(d) construction financing for Olmsted Village will automatically set the vacancy rate for the apartments at 5%, which will then be added to the 3% vacancy rate that is projected for the project based on the marketing data and analysis. Because of the additional HUD restrictions and the potential negative impacts on the apartment pro forma, Olmsted Village will rely on private financing sources and not pursue any federal financing.

OLMSTED VILLAGE
STRATEGIC DEVELOPMENT PLAN

VALUATION AND EXIT STRATEGY

The discount rate for a project is a reflection of the inherent risk level of the investment or it can be an arbitrary hurdle rate that the investment must meet or bypass to ensure a specific return. The use of the discount rate when calculating the net present value (NPV) of a project allows an investor to determine how much profit a project might earn above the cost of capital and gauges whether or not the aggregate profit is worth the risk and work involved.

To establish a value for Olmsted Village, a conservative 8.5% discount rate was used to calculate the NPV. This discount rate is considered to be a conservative figure because it is only slightly higher than the cost to borrow funds to finance the project, which is between 6.5% - 7.5%.

Net Present Value Analysis		
Discount Rate	8.5%	8.5%
	<u>10th Year</u>	<u>20st Year</u>
Present Value	\$17,985,541	\$35,611,374
Less Investment	\$16,021,416	\$16,021,416
NPV	\$1,964,125	\$19,589,958

The NPV shows that Olmsted Village is a very conservative income-producing property. An investor wishing to make a windfall or a quick return on his/her investment will not meet this expectation if Olmsted Village performs as projected. Based on the NVP analysis, Olmsted Village is best suited as a long-term investment when viewed over a twenty-year period.

IRR - 10 Years		IRR - 20 Years	
Unleveraged	3%	Unleveraged	11%
Leveraged	11%	Leveraged	18%

When looking at the internal rates of return (IRR) for Olmsted Village, the ten-year and twenty-year leveraged IRR rates indicate that the project will add value to an investor's portfolio because they are higher than the discount/hurdle rate used in the NPV analysis.

The sales price of an income-producing property also helps determine if a project is worth the risk and work. The 8.5% terminal cap rate used to establish the sales price for Olmsted Village is based on the current cap rates for comparable properties.

Calculation of Price		
	<u>10th Year</u>	<u>20th Year</u>
	<u>Reversion</u>	<u>Reversion</u>
Terminal Cap Rate	8.50%	8.50%
Cost of Sale	2.00%	2.00%
11th Year NOI	\$6,609,723	\$7,921,690
Reversion	\$77,761,443	\$93,196,359
Less: Selling Costs	\$1,555,229	\$1,863,927
Terminal Value	\$76,206,214	\$91,332,431
<i>Cash Flow + Reversion Amt</i>	\$82,815,936	\$99,254,122
Less: Principal Amt Owed	\$32,031,206	\$13,969,917
	\$50,784,731	\$85,284,205

Since the ten- and twenty- year terminal prices for the property are greater than the respective values as calculated by the NPV, Olmsted Village is an asset that will add value to an investment portfolio.

DISTRIBUTION OF TAXABLE INCOME AND RETURN ON EQUITY

All of the cash flows from Olmsted Village are not subject to corporate taxes since the operating entity is a limited liability corporation. The distribution of cash flows is outlined in the terms of the BluJay, LLC operating agreement with the developer receiving 40% and the equity investor receiving 60%. The only exception to this distribution occurs in during Year 04 and Year 05 when both parties receive 40% each. The remaining 20% of the cash flow from these two years will be used as the down payment on the second mini permanent loan to reduce the principal and interest amount paid per month.

After reaching stabilization in Year 04, the return on equity (ROE) for the equity investor as seen in Table 13 starts at 9.22% and gradually increases as the property matures. (The ROE calculated in Table 12 is a *total return*, prior to being bifurcated.)

Table 13: Taxable Income																					
	First Mortgage + MiniPerm #1					First Mortgage + MiniPerm #2															
	Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	Year 08	Year 09	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
NOI	\$ 2,964,360	\$ 4,467,682	\$ 5,732,663	\$ 5,830,596	\$ 5,930,247	\$ 6,053,291	\$ 6,156,473	\$ 6,261,466	\$ 6,390,380	\$ 6,499,096	\$ 6,609,723	\$ 6,744,811	\$ 6,859,362	\$ 6,975,927	\$ 7,117,511	\$ 7,238,215	\$ 7,361,043	\$ 7,509,460	\$ 7,636,651	\$ 7,766,083	\$ 7,921,690
Less Interest	\$ 941,215	\$ 939,603	\$ 937,883	\$ 936,047	\$ 934,088	\$ 851,122	\$ 848,893	\$ 846,514	\$ 843,975	\$ 841,267	\$ 838,377	\$ 835,294	\$ 106,214	\$ 102,704	\$ 98,959	\$ 94,963	\$ 90,699	\$ 86,150	\$ 81,296	\$ 76,117	\$ 70,592
Depreciation	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491	\$ 1,202,491
Taxable Income	\$ 820,654	\$ 2,325,588	\$ 3,592,290	\$ 3,692,058	\$ 3,793,668	\$ 3,999,678	\$ 4,105,089	\$ 4,212,462	\$ 4,343,915	\$ 4,455,339	\$ 4,568,855	\$ 4,707,027	\$ 5,550,657	\$ 5,670,733	\$ 5,816,062	\$ 5,940,761	\$ 6,067,853	\$ 6,220,819	\$ 6,352,864	\$ 6,487,475	\$ 6,648,608
CF DISTRIBUTION																					
Developer	\$ 328,262	\$ 930,235	\$ 1,436,916	\$ 1,476,823	\$ 1,517,467	\$ 1,599,871	\$ 1,642,036	\$ 1,684,985	\$ 1,737,566	\$ 1,782,135	\$ 1,827,542	\$ 1,882,811	\$ 2,220,263	\$ 2,268,293	\$ 2,326,425	\$ 2,376,304	\$ 2,427,141	\$ 2,488,328	\$ 2,541,146	\$ 2,594,990	\$ 2,659,443
Equity Investor	\$ 492,392	\$ 1,395,353	\$ 2,155,374	\$ 1,476,823	\$ 1,517,467	\$ 2,399,807	\$ 2,463,054	\$ 2,527,477	\$ 2,606,349	\$ 2,673,203	\$ 2,741,313	\$ 2,824,216	\$ 3,330,394	\$ 3,402,440	\$ 3,489,637	\$ 3,564,457	\$ 3,640,712	\$ 3,732,491	\$ 3,811,719	\$ 3,892,485	\$ 3,989,165
Mini Perm Payoff	\$ -	\$ -	\$ -	\$ 738,412	\$ 758,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investor ROE	3.07%	8.71%	13.45%	9.22%	9.47%	14.98%	15.37%	15.78%	16.27%	16.69%	17.11%	17.63%	20.79%	21.24%	21.78%	22.25%	22.72%	23.30%	23.79%	24.30%	24.90%

CONCLUSION

All data indicates that not only has the housing market taken a sharp downward turn, but the retail sector has also experienced serious declines with the downfall of consumer spending. As a result of current economic conditions, the retail component of Olmsted Village may not appear to be viable now as a strong income producer (finding a credit-worthy anchor tenant may be difficult per the pre-leasing requirements by the financial lender) but not including this component in the project because of today's economic climate, would be a detriment to not only the project, but to the community in the long run. Well-diversified uses increase the success and economic stability of a community. Retail establishments located walking distance to people's residences increases tenancy and overall property values.

Despite the current economy, the demand for retail establishments in the Charles Village area has not faded like in other areas. This neighborhood has steady foot traffic thanks to Johns Hopkins University, Union Memorial Hospital, and the surrounding residential neighborhoods. Businesses that cater to the everyday need of residents, like restaurants, bars, grocery stores, and banks, have performed well in this area. So far, destination establishments (stores that people specifically visit an area for) have not fared as well, but this may be due to the limited available parking. The only exception to this is Cloud 9 Clothing, which carries moderately priced men's and women's clothing targeted to the college-aged population. Even though the retail component of Olmsted Village currently has the most volatility and could potentially derail the required returns if credit-worthy tenants are hard to find, based on the marketing data, this project meets the demands of the community.

The analysis of this strategic development plan assumes that conventional means of financing are currently available. Based on these assumptions, Olmsted Village's cash flows after financing (CFAF) result in modest but steady returns over the life of the project. Even though the ten- and twenty-year IRRs are modest, the project will still add value to an investment portfolio because these IRRs are higher than the discount rate used to establish the net present value. (Though based on the results of this analysis of Olmsted Village, if the financial lending assumptions were realigned to reflect current economic conditions, there is very little likelihood that this would be a viable project.)

The decision to invest in Olmsted Village should not be weighed against the low risk level associated with investing in a 10-year or 20-year Treasury bill, which are common benchmarks used by investors. To date, the yield on a 10-year and 20-year Treasury bond is 3.20% and 4.11% respectively. Normally, investing in one of these bills would be a very safe plan except when inflation is on the rise, which is it expected to do within the immediate future as a result of economic stimulus funding. As inflation rises, the return on these t-bills loses value. In contrast, income-producing real estate projects like Olmsted Village are able to adjust to inflation rates by raising or lowering rents and fees.

Based on the assumptions in this analysis, Olmsted Village is recommended as a safe long-term investment because the product meets the demands of the community, the cash flows exceed the debt service coverage ratio, and the 10- and 20- year sales prices exceed the respective net present values.

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